

# ST. LANDRY PARISH SCHOOL BOARD



---

SPECIFIED PROCEDURES EXAMINATION  
ISSUED JULY 13, 2005

---

**LEGISLATIVE AUDITOR  
1600 NORTH THIRD STREET  
POST OFFICE BOX 94397  
BATON ROUGE, LOUISIANA 70804-9397**

**LEGISLATIVE AUDIT ADVISORY COUNCIL**

REPRESENTATIVE CEDRIC RICHMOND, CHAIRMAN  
SENATOR J. "TOM" SCHEDLER, VICE CHAIRMAN

SENATOR ROBERT J. BARHAM  
SENATOR WILLIE L. MOUNT  
SENATOR EDWIN R. MURRAY  
SENATOR BEN W. NEVERS, SR.  
REPRESENTATIVE RICK FARRAR  
REPRESENTATIVE HENRY W. "TANK" POWELL  
REPRESENTATIVE T. TAYLOR TOWNSEND  
REPRESENTATIVE WARREN J. TRICHE, JR.

**LEGISLATIVE AUDITOR**

STEVE J. THERIOT, CPA

**ADVISORY SERVICES DIVISION**

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor and at the office of the parish clerk of court.

This document is produced by the Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Twenty-five copies of this public document were produced at an approximate cost of \$58.00. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's Web site at [www.la.state.la.us](http://www.la.state.la.us). When contacting the office, you may refer to Agency ID No. 2662 or Report ID No. 05203371 for additional information.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Wayne "Skip" Irwin, Director of Administration, at 225/339-3800.



STEVE J. THERIOT, CPA  
LEGISLATIVE AUDITOR

OFFICE OF  
**LEGISLATIVE AUDITOR**  
STATE OF LOUISIANA  
BATON ROUGE, LOUISIANA 70804-9397

1600 NORTH THIRD STREET  
POST OFFICE BOX 94397  
TELEPHONE: (225) 339-3800  
FACSIMILE: (225) 339-3870

June 13, 2005

**MR. LANNY MOREAU, SUPERINTENDENT,  
AND MEMBERS OF THE ST. LANDRY PARISH  
SCHOOL BOARD**  
Opelousas, Louisiana

We applied our *Checklist of Best Practices in Government* in reviewing the procedures and practices of the school board's business department. Attachment I provides our findings and recommendations resulting from the limited review for the school board's consideration. The response from management of the school board is presented in Appendix A.

A limited review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Respectfully submitted,

Steve J. Theriot, CPA  
Legislative Auditor

RLT:GLM:AJR:dl

SLASB05



## Findings and Recommendations

---



The following are findings and recommendations relating to our limited review dated June 13, 2005. Our recommendations are presented to improve the controls that safeguard, manage, and account for assets of the school board and ensure compliance with applicable state laws. However, management of the school board should consider the costs of implementing these recommendations compared to the benefits they will provide. For those recommendations not implemented, the school board should be aware of the risks of not implementing such controls.

Management's response to the findings and recommendations is included in Appendix A.

### **Written Procedures**

The school board does not have written procedures for various business functions. Formal written procedures are necessary so that there is a clear understanding of what should be done, how, who, and when it should be done and that the procedures followed meet management's expectations. Also, written procedures aid in the continuity of operations and for cross-training of staff.

There are no written procedures for the following:

1. Preparing, adopting, monitoring, and amending the budget
2. Monitoring excess cash for investment purposes and the pledge of securities
3. Purchasing process, including (a) how purchases are initiated; (b) the preparation and approval process of purchase requisitions and purchase orders; and (c) checks and balances to ensure assets are safeguarded
4. Processing, reviewing, and approving disbursements
5. Receiving, recording, and preparing deposits for cash receipts
6. Filing requests for reimbursement to the Department of Education
7. Monitoring and operating the energy management system
8. Accounting for the business and personal use of cellular phones
9. Accounting for the inventory of supplies
10. Using the Visa credit card

Recommendation: Written procedures should be prepared for these business functions.

## **Budgeting Process**

### **Budget Procedures Needed**

The school board does not have written procedures for preparing, adopting, monitoring, and amending its budget.

Recommendation: We suggest that detailed written procedures be developed to include all steps required for each phase of the budget process, including monitoring and amending the budget during the fiscal year. In addition, a time schedule for preparing the budget and the person responsible for each phase of the budget should be incorporated in the detailed steps. Also, we suggest that the school board consider using the Association of School Business Officials International *Meritorious Budget Awards Program* checklist and the Government Finance Officers Association *Distinguished Budget Presentation Awards Program* checklist in preparing future budgets and developing budget procedures.

### **Incorporate Performance Measures**

Performance measures are not incorporated into the budgeting process.

Recommendation: Although not required by law, the school board should consider incorporating performance measures into the budgeting process. Meaningful performance measurements assist management by (1) identifying financial and program results; (2) evaluating past resource decisions; (3) facilitating qualitative improvements in future decisions regarding resource allocation; and (4) communicating service and program results to the taxpaying public. Performance measures should be used to report on the outputs of each program and should be related to the objectives of each department.

## **Financial Management**

### **Excess Cash Should Be Invested**

For the five-month period ending April 30, 2005 (December 2004 through April 2005), the school board had a daily average bank balance of approximately \$10,400,000, in nine demand deposit accounts earning .65% interest. Louisiana Revised Statute (R.S.) 33:2955(A) authorizes and directs the school board to invest monies that are determined to be available for investment in prescribed interest-bearing accounts or securities. In addition, the school board's policy provides dollar thresholds and time frames for considering whether demand deposit funds are available for investment.

Recommendation: We suggest that the school board (1) develop written procedures for determining the amounts available for the payment of short-term and long-term obligations by fund and how those obligations affect investing decisions and (2) determine estimated cash requirements by fund each month to determine available monies to invest in short-term and long-term securities.



### **Superintendent Employment Contract**

Our review of the superintendent's employment contract for the period January 1, 2005, through December 31, 2006, revealed that the contract reflects an incorrect base salary. The base according to the contract is \$80,000, whereas, after considering appropriate adjustments to the base, the base should be reflected as \$93,748 in the employment contract.

In addition, the employment contract states that the superintendent is provided a vouchered expense allowance of \$5,000 each year to cover all expenses, other than for travel, incurred in the performance of his duties. These expenses include those necessary to belong to and participate in meetings of various civic, business, professional, and community organizations. In accordance with this provision in his contract, the superintendent joined the Rotary Club for the purpose of developing a business relationship with the school board and members of the professional community. The Louisiana Attorney General has opined (AG Opinions 96-195 and 79-502) that the payment of dues and meals to local social organizations, such as Chamber of Commerce, Rotary, Lions, et cetera, is prohibited by Article VII, Section 14 of the Louisiana Constitution of 1974.

**Recommendation:** We suggest that the superintendent's employment contract be amended to (1) correct the base pay amount and (2) provide the specific expenditures that the \$5,000 expense allowance can be used for, including the organizations that the superintendent can participate in that are allowed by Louisiana law.

### **Contract With Legal Counsel**

There is no contract for the school board's legal counsel and there is no resolution of the board and approval of the Louisiana Attorney General (AG) for retaining legal counsel for special matters as required by Louisiana law. For fiscal year ending June 30, 2005, a total of \$93,064 was paid to the school board's legal counsel (\$30,000 retainer, \$21,904 litigation services, and \$41,160 sales tax collection services). The school board's legal counsel provided a letter (dated March 13, 2002) to the superintendent providing the billing rates and services to be provided. The billing rates were approved by the board at its August 1, 2002, meeting.

Sound business practices require written agreements/contracts for services setting forth the specific terms and conditions. This will help ensure that services received comply with the school board's expectations. In addition, R.S. 42:263 requires a resolution of the board and AG approval when retaining legal counsel for special matters.

**Recommendation:** We suggest that all agreements for services (professional or otherwise) with third parties be in the form of a written contract. Also, when contracting with legal counsel for special matters, a board resolution and approval of the AG should be obtained. In addition, we suggest that you consider the following when contracting for legal services:

1. Establish the specific services to be provided as general counsel services (monthly retainer)
2. Clearly identify services included as general counsel services (retainer) versus hourly amounts charged for litigation services
3. Require that charges for sales tax collection services be itemized for the specific work performed and time spent
4. Require that out-of-pocket expenses be itemized
5. Monitor the contract periodically to ensure that the services received comply with the terms and conditions of the contract
6. Obtain requests for proposals for legal services as a good business practice

### **Internal Auditor**

The school board does not have an internal auditor position. However, one of the accountants in the business office performs audits on the school activity funds at the individual schools.

Superintendent Lanny Moreau and the administrative staff of the central office are to be commended for implementing a comprehensive system-wide audit of individual schools each year. During each school year, the central office randomly selects eight schools to be audited. Supervisory personnel then spend one day at each school and check all areas of operations, from teacher lesson plans to proper accounting for school activity funds. At the end of the audit, the principal is informed of any deficiencies noted. By conducting these audits, the central office is able to determine the school's compliance with the policies and procedures for each area of operations and to help the school identify and strengthen areas that are deficient.

Recommendation: We suggest that the school board create an internal audit position to review all operations of the school board where there is a risk of financial exposure and potential for loss and when there are major changes in operations, programs, systems, and controls. For example, food service, warehousing, purchasing, transportation, payroll, capital assets, and Web site security and privacy are school board operations where there may be a risk of financial exposure or potential for loss.

### **Inventory of Supplies**

Controls over the inventory of supplies can be strengthened by (1) cross-training another employee as a backup on the inventory system; (2) requiring a complete physical inventory to be taken on a more timely basis (monthly or quarterly); (3) assigning someone independent of the inventory process to approve and make adjustments to the inventory records; and (4) reviewing a report of the items in inventory periodically (monthly or quarterly) to ensure that the quantity and price for each item is reasonable.

### **Travel Policy**

The school board travel policy does not include reimbursement rates for lodging.

Recommendation: The school board should consider adopting the state travel regulations related to reimbursement for lodging.

### **Record Retention**

The school board has not prepared and submitted a records retention schedule to the state archivist for approval, as required by R.S. 44:411. Also, the AG has opined (AG No. 01-155) that if employees conduct official business through electronic means, such communications are public records and fall within the reach of the Public Records law.

Recommendation: The school board should develop and submit a formal records retention schedule, to include e-mail, to the state archivist for approval.

### **Accounting for Dedicated Taxes**

We identified two taxes dedicated solely for the payment of compensation and benefits to employees of the school board (1999-1% sales tax and the 12 mill ad valorem tax). Our review of these two dedicated taxes revealed that the school board is properly accounting for the proceeds and expenditure of the taxes and that they are being expended for their intended purpose.

We also reviewed the tax proposition for the 1965-1% sales tax, which is to be used exclusively to supplement salaries of teachers and/or for the expenses of operating the schools, including the payment of salaries of other personnel. We concluded that dedication of this tax is not necessary as it can be expended for virtually any school purpose. The proceeds of this tax are appropriately deposited in the general fund and are commingled with all other general fund monies.

## **Child Nutrition and Food Services**

### **Controls Over Cash Need Improvement**

The cafeteria managers at the two schools that we visited have incompatible duties in that they (1) collect and reconcile cash to the system reports; (2) enter student information into the system on who eats meals; (3) prepare the deposit slip and make the daily deposit; (4) reconcile the bank statement; and (5) authorize refund checks to be issued and make adjustments to the system for refunds that are due to students who transfer or have overpaid.

Recommendation: If practical, one of the food service workers should operate the point of service terminal. If that is not feasible, then the director of the food services department should perform an analysis, on an individual school basis, to determine if the amount of funds being

deposited is reasonable. In addition, the food service department (main office) should prepare all refund checks.

### **Unnecessary School Cafeteria Bank Accounts**

Each school maintains a “cafeteria” checking account for the deposit of monies received from its sales of meals. At the end of the month, each school principal issues a check payable to the school board for the amount of monies collected that month, less any refunds made.

Recommendation: We suggest that the food services department:

1. Require those schools with accounts at the fiscal agent bank to deposit funds directly into the food services account. The “cafeteria” accounts would then become unnecessary and should be closed.
2. Electronically transfer funds to the food services account on a weekly basis for those schools with accounts in other banks.

## **Purchasing and Disbursements**

### **Controls Over Purchasing and Disbursements**

1. Purchasing is not centralized. Each department of the school board (General Fund/Federal Programs, Special Education, and Food Services) is responsible for its own purchasing.

Recommendation: To promote operational efficiency and to incorporate a proper system of checks and balances, we suggest that the school board consider centralizing purchasing.

2. Accounts payable/disbursements are not centralized. Each department (General Fund, Federal Programs, Small Federal Programs, Special Education, and Food Services) is responsible for its own accounts payable and disbursements.

Recommendation: To promote operational efficiency and to incorporate a proper system of checks and balances, we suggest that the school board consider centralizing disbursement activities.

3. Vendor numbers are assigned by the purchase order accountant and General Fund accounts payable accountant. Our review of the vendor listing revealed that there are over 12,000 active vendor numbers. In addition, there are numerous vendors with the same address that have different vendor numbers.

Recommendation: We suggest vendor numbers be assigned only by the director of finance or his designee. Written procedures should be developed for adding and deleting vendors to/from the vendor listing. The vendor listing should be reviewed periodically to

ensure that only active vendors are included and that vendors are not issued more than one vendor number.

4. The Small Federal Programs accountant performs a variety of duties relating to cash disbursements that are incompatible for a proper system of checks and balances. This employee (a) initiates the check to be written and records the disbursement in the accounting system/general ledger; (b) mails the checks; (c) maintains the invoices and records; and (d) reconciles the bank accounts.

Recommendation: Accounting responsibilities should be segregated so that no single individual controls all facets of a financial function.

5. The accounting system allows purchase orders to be created and invoices to be paid when an account is over budget.

Recommendation: The accounting system should be modified to allow a purchase order to be created only when funds are available in the budget for that purchase.

6. A copy of the purchase order and/or delivery schedule (Food Services) is not sent to accounts payable when the purchase order/delivery schedule is prepared by the purchasing accountant. In addition, requisitions for General Fund and Small Federal Program purchases are not maintained by the accounts payable accountant; therefore, documentation for these disbursements is not available for review by the director of finance when signing checks.

Recommendation: A copy of the purchase order (delivery schedule for Food Services) and the related purchase requisition should be submitted to accounts payable when the purchase orders are prepared or issued.

7. Receiving reports are not sent to accounts payable, upon receipt of the items by personnel in the central warehouse, to provide documentation that the materials/supplies were received.

Recommendation: Receiving reports should be sent to accounts payable and purchasing upon receipt of the items in the central warehouse.

8. Vendor invoices are not received directly by accounts payable from the vendor. The purchase order accountant receives the invoices directly from the vendors and sends these to the department that originated the order to match with the purchase order and receiving reports.

Recommendation: All vendor invoices should be mailed directly to accounts payable for matching the purchase requisition, purchase order, and receiving report.

9. The director of finance signs food services checks without reviewing the supporting documentation.

Recommendation: The director of finance should review the supporting documentation for food services payments to ensure that all payments are appropriate and supporting documentation is available before signing the checks.

10. The food services accounts payable accountant does not compare the unit prices on the delivery schedules to the unit prices on vendor invoices to ensure that amounts charged are correct.

Recommendation: Unit prices on vendor invoices for food services should be compared to the unit prices on the delivery schedules.

11. There are no written procedures for the use and care of Fuelman credit cards and the review of Fuelman statements. In addition, no documentation supports the resolution of missing and erroneous odometer readings on the statements.

Recommendation: Written procedures for the use and care of Fuelman credit cards and for the review of Fuelman statements should be prepared to ensure that the number of gallons received, miles traveled, and miles per gallon for each vehicle is reasonable. In the future, the disposition of all missing and erroneous odometer readings on Fuelman statements should be documented.

12. An initial listing of checks received by the Federal Programs Department from the individual schools for printing services is not prepared and the checks are not restrictively endorsed upon receipt. In addition, a monthly accounting of amounts billed to the individual schools compared to payments received is not performed.

Recommendation: The mail opener should list all checks received from individual schools for printing on a daily receipts log and restrictively endorse all checks. The checks could then be given to the accountant for deposit and entry into the general ledger. The daily receipt log should then be given to the accountant that reconciles the bank account to be used to verify deposits made during the bank reconciliation process. In addition, a monthly accounting of amounts billed to the individual schools compared to payments received should be performed.

### **Ethics**

The school board has a good ethics policy that deals with nepotism, prohibited activities (related party transactions), abuse of office, and transactions after termination of public service.

However, the policy could be strengthened by requiring an annual certification letter from board members and other members of management attesting to their compliance with the ethics policy.

## **Computer Controls**

### **Disaster Recovery/Business Continuity Plan**

The school board has a very general disaster recovery/business continuity plan for its information services department, and the plan has never been tested. As part of the plan, the school board has an agreement with St. Landry Bank to use its AS/400 system. However, a copy of the agreement with the bank could not be provided. In addition, the school board has a small AS/400 computer that could be used if the main computer is damaged. However, this computer is located in the same building as the main computer.

Recommendation: We suggest that the school board (1) update its disaster recovery/business continuity plan, to include detailed steps to be taken in the event a disaster should occur; (2) test and update the plan annually; (3) prepare and sign a new agreement with St. Landry Bank for the use of its AS/400 computer; and (4) relocate the spare AS/400 computer to a different building.

### **Computer Backup Tapes**

Although the computer system is backed up daily and all Friday backup tapes are kept indefinitely, the backup tapes are not stored offsite.

Recommendation: We suggest that the daily backup tapes be stored in the fireproof safe in the business office and the Friday backup tapes be stored offsite.

This page is intentionally blank.



## Management's Response

---





## **ST. LANDRY PARISH SCHOOL BOARD**

**Lanny Moreau**  
**Superintendent**

1013 East Creswell Lane  
P.O. Box 310  
Opelousas, LA 70571-0310

Phone: (337) 948-3657  
Fax: (337) 948-9959  
E-mail: [supt@slp.k12.la.us](mailto:supt@slp.k12.la.us)

July 6, 2005

**Charles W. Ross**  
President  
Opelousas, LA  
District 2

**Marx "Sonny" Budden**  
Vice-President  
Palmetto, LA  
District 5

**Huey Wyble**  
Executive Committee  
Arnaudville, LA  
District 7

**John Miller**  
Executive Committee  
Opelousas, LA  
District 3

**Phyllis Fisher**  
Opelousas, LA  
District 1

**Dillard Deville**  
Washington, LA  
District 4

**Ronald W. Carriere**  
Port Barre, LA  
District 6

**Kyle Boss**  
Sunset, LA  
District 8

**Scott M. Richard**  
Opelousas, LA  
District 9

**Richard Lewis, III**  
Opelousas, LA  
District 10

**Roger Young**  
Eunice, LA  
District 11

**Josie Frank**  
Eunice, LA  
District 12

**Harry Frugé**  
Eunice, LA  
District 13

**A. Gerard Caswell**  
Board Attorney

Mr. Steve J. Theriot, CPA  
Office of Legislative Auditor  
State of Louisiana  
P.O. Box 94397  
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

Please find enclosed "Management's Response" to the findings and recommendations made in a recent audit conducted in the St. Landry Parish School System.

Should additional information be needed, please do not hesitate to contact my office.

Sincerely yours,

Lanny Moreau, Superintendent  
St. Landry Parish School Board

LM/nrj  
Enclosure

File:randy\LegAuditorMgmtResponse2005

# ST. LANDRY PARISH SCHOOL SYSTEM

1013 CRESWELL LANE • P. O. BOX 310  
OPELOUSAS, LOUISIANA 70571-0310  
337/948-3657 • FAX 337/942-0204



LANNY MOREAU, SUPERINTENDENT

*Committed to Excellence*

## **MANAGEMENT'S RESPONSE**

### **Written Procedures /Budgeting Process / Financial Management (pgs. 1-2)**

Each staff member will begin to record the procedures necessary to perform their jobs. This will then be compiled into a procedures manual.

### **Incorporate Performance Measures (pg. 2)**

The Board currently receives performance measures for academic programs. Staff will research other public bodies to ascertain how performance measures are incorporated.

### **Superintendent Employment Contract / Legal Counsel Contract (pg. 3)**

An amended employment contract for the superintendent has been prepared and will be presented to the Board for approval. A contract for the employment of counsel has been prepared and will be presented to the Board for approval. As to the need for Attorney General approval for hiring of legal counsel, legal counsel is of the opinion that this is not necessary as all of his duties are as general counsel for the Board and therefore AG approval is not required. However, this will be presented to the Board and the Board will be offered the opportunity to request an Attorney General opinion on the matter.

### **Internal Auditor (pg. 4)**

Staff agrees with the auditors' recommendation and will review the cost of an internal auditor. There is a concern, however, about adding personnel to the Central Office staff while reducing teaching staff. (resolution adopted by the Board for a hiring freeze – no new positions)

**Inventory of Supplies (pg. 4)**

Staff is of the belief this item is more of a personnel problem. This is due to an individual being absent from work for an extended period on workers' compensation. Staff will incorporate the auditors' recommendation.

**Travel Policy (pg. 4-5)**

Staff will bring a proposal to the Board in relation to lodging.

**Record Retention (pg. 10)**

Staff will follow auditors' recommendation.

**Child Nutrition and Food Services (pg. 5-6)****Controls Over Cash**

The Child Nutrition Department does not have enough manpower to have one person entering on the point of service terminal and a separate person collecting and recording the money received. Some of our schools have two terminals and collect money on a daily bases, not monthly.

The Child Nutrition Department will notify the cafeteria managers that all refund checks will be run at the School Board Central Office. We have the managers prepare an invoice to turn into the Accounts Payable Department and refunds will be mailed to the applicable family every Friday.

The managers check the unit prices on the delivery schedule to the unit prices on the vendor invoice. If there is a discrepancy, it is resolved at the time of delivery, or the manager calls the Child Nutrition Department who in turn calls the vendor to adjust the price.

**Unnecessary School Cafeteria Bank Accounts (pg. 6)**

The Child Nutrition Department feels that depositing monies on a daily basis for thirty-five (35) schools into the main bank account will not be feasible. The end of month reconciliation would be too time consuming. Further, NSF checks will be difficult to trace to the school sites. With regard to the wire transfers, not all of the banks perform this procedure. The smaller banks that provide wire transfers charge a fee of up to \$15.00 per transfer.

**Purchasing and Disbursements** (pg. 6-8)

- 1) Centralized purchasing would require a purchasing agent. Staff believes this is an excellent recommendation which would solve a number of problems. The same concern as with the recommendation for an internal auditor applies. The Board is currently reducing its teaching staff.
- 2) Centralized payables would address a number of the recommendations made by the Legislative Auditor. This would not only address payables but would assist the accountants and possibly free up one to assume the internal auditor's duties. This would however, require a major reorganization of the current accounting staff structure.
- 3) The staff is currently updating W-9 forms and are already addressing the current number of vendors.
- 4) Currently, small federal funds are easily monitored by the appropriate academic supervisors. Therefore, the risk factor is low. This has allowed resources to be focused on school accounts where the risk is higher. This item would be addressed if either centralized purchasing or payables is implemented.
- 5) Staff will study this item as to the cost and difficulty of changing the current system.
- 6, 7, 8) These items would be addressed by centralized purchasing and payables. If those items are not implemented, staff will modify current procedures as much as possible to implement these items in the current system.
- 9) This item has been implemented.
- 10) The comparison of unit prices is currently being done by the cafeteria managers. This spreads the work and gives additional cross checks.
- 11) This item will be addressed by the transportation coordinator.
- 12) Staff agrees with the Legislative Auditor recommendation and will work to implement it.

**Ethics** (pg. 8)

Staff has had a speaker from the State Ethics Board scheduled for the August administrators' meeting. This item will be addressed at that time.

**Computer Controls** (pg. 8-9)

This item has been implemented.